

1 \$150,000.

2 **Pro Forma 2020 Short-Lived Additions**, column (3.15) electric and natural gas,
 3 reflect increases in capital additions related to various short-lived capital projects as
 4 supported by Mr. Kensok. Ms. Schultz sponsors the pro forma adjustment for these projects
 5 reflecting the increases in 2020 capital additions, together with associated A/D, ADFIT, and
 6 depreciation expense. Ms. Schultz also reflects 2020 retirements on plant-in-service at
 7 December 31, 2019, on similar assets, as an offset to expense, reducing the overall impact of
 8 this adjustment. The effect of this adjustment increases electric rate base by \$10,886,000
 9 and decreases NOI by \$1,496,000. For natural gas, this adjustment increases rate base by
 10 \$3,408,000 and decreases NOI by \$489,000.

11 **Q. Please continue with your discussion of the Pro Forma adjustments**
 12 **included on page 10 of Exh. EMA-2 and Exh. EMA-3.**

13 A. The next adjustment is electric and natural gas **Pro Forma AMI Capital**
 14 **Additions and Regulatory Amortization**, column (3.16), which reflects the Company’s
 15 adjustment to recover its investment in Automated Meter Infrastructure (AMI) that has been
 16 described by Ms. Rosentrater and Company witness Mr. DiLuciano. The electric adjustment
 17 increases regulatory amortization expense by \$10.1 million, increases depreciation expense
 18 by ~~\$2.53~~ million, reduces O&M expenses by ~~\$3.02~~2.8 million for offsets⁵⁰, increases AMI

⁵⁰ Offsets included in this GRC reflect hard savings of ~~\$6.57~~ million expected during the rate period levels (October 1, 2021 – September 30, 2022) on a system basis. The Washington-share of these savings, net of 2019 test period savings already included (\$2.4 system), reflect an incremental savings of \$4.~~13~~ million, or ~~\$2.83-0~~ million Washington electric and ~~\$0.94-0~~ million natural gas. These savings mainly reflect reductions due to elimination of meter reading, remote service connectivity and conservation voltage reduction. Mr. DiLuciano provides the detailed analysis of the annual savings within his workpapers provided with the Company’s filing. As discussed by Mr. DiLuciano, with the Commission’s ruling in July 2020, including remote service disconnection, the Company will add 4 employees to meet the requirements of the new rule, at an estimated incremental cost of approximately \$271,000 per year, the savings therefore, have been reduced to reflect this expected increase in cost.

1 net plant by \$~~34.48.8~~ million (after including pro formed AMI capital additions between
2 January 1, 2020 through the completion of the project), and increases the regulatory asset by
3 \$53.~~24~~ million. The net effect of these adjustments, therefore, decreases electric NOI by
4 \$7,1~~3453~~,000 and increases total electric rate base by \$~~92,16387,585~~,000.

5 The natural gas adjustment increases regulatory amortization expense by \$3.5
6 million, increases depreciation expense by \$~~0.91.0~~ million, reduces O&M expenses by
7 \$~~0.91.0~~ million for offsets, increases AMI net plant by \$~~17.549.8~~ million (after including
8 pro formed AMI capital additions between January 1, 2020 through the completion of the
9 project), and increases the regulatory asset by \$15.~~67~~ million. The net effect of these
10 adjustments decreases natural gas NOI by \$2,5~~1150~~,000 and increases total natural gas rate
11 base by \$~~33,0845,432~~,000.

12 As described by Mr. DiLuciano, the AMI project was first introduced to the
13 Commission in 2015. In Docket UE-160100 the Commission approved deferred accounting
14 treatment related to the undepreciated net book value of the existing electric meters. In
15 Dockets UE-170327 and UG-170328, the Commission approved deferred accounting
16 treatment related to the undepreciated net book value of the existing natural gas meter
17 registers. In addition, the Commission authorized the Company to defer the depreciation
18 expense associated with the investment in the AMI until such time plant is included in retail
19 rates in a future general rate case, and required the Company to defer revenues collected
20 from customers related to the existing electric meters and natural gas meter registers that
21 exceeded the actual depreciation expense recorded on the existing investment. A summary
22 of AMI accounting that forms the basis for the adjustments that have been included in this
23 general rate case follows:

1 **AMI Rate Base** - Rate base in the Company’s case includes the following as shown in
 2 Table No. 5.

3 **Table No. 5 – AMI Rate Base: [Revised]**

AMI RATE BASE (REVISED)				
Line #		Electric	Natural Gas	Total
Plant in Service				
1	Plant	\$ 100,944,477	\$ 36,170,688	\$ 137,115,165
2	A/D	(30,450,521)	(10,040,781)	(40,491,302)
3	NBV	70,493,956	26,129,907	96,623,863
Regulatory Asset				
4	Deferred Depreciation Expense on AMI Investment	30,694,932	10,124,681	40,819,613
5	Existing Meters/Meter Registers	21,307,531	4,410,569	25,718,100
6	Regulatory Asset - AFUDC	1,031,168	324,977	1,356,145
7	Carrying Charge	2,378,532	867,308	3,245,840
8	Excess Depreciation Collected	(2,257,282)	(151,495)	(2,408,777)
9	ADFIT	(10,945,980)	(3,202,723)	(14,148,703)
10	Total Regulatory Asset	42,208,901	12,373,317	54,582,218
11	Total Rate Base	\$ 112,702,857	\$ 38,503,224	\$ 151,206,081

13 As shown on lines 1 through 3, investment in AMI plant is \$137.1~~44.1~~ million
 14 (\$100.95~~6~~ million electric and \$36.28~~5~~ million natural gas). Accumulated depreciation on
 15 an AMA basis during the rate year is \$40.58 million (\$30.65 million electric and \$10.04
 16 million natural gas), leaving a net book value of \$103.39~~6.6~~ million (\$74.97~~0.5~~ million
 17 electric and \$26.18~~4~~ million natural gas).

18 As shown on lines 4 through 10, a number of regulatory assets associated with the
 19 AMI project have been included as rate base. A description of these regulatory assets
 20 follows:

- 21 • (Line 4) All of the depreciation expense that was recorded on the AMI investment
 22 since the project began has been deferred and totals \$40.8~~4.4~~ million (\$30.79
 23 electric and \$10.21 million natural gas).

- 1 • (Line 5) The net book value of the existing electric meters and natural gas meter
2 registers have been deferred and totals \$25.7 million (\$21.3 million electric and \$4.4
3 million natural gas).
- 4
- 5 • (Line 6) The net book value of AFUDC that has been recorded as a regulatory asset
6 totals \$1.3 million (\$1.0 million electric and \$0.3 million natural gas).
- 7
- 8 • (Line 7) The carrying charge that has been recorded on all of the AMI deferral
9 accounts per the Commission order in Docket Nos. UE-170327 and UG-170328
10 totals \$3.3 million (\$2.4 million electric and \$0.9 million natural gas).
- 11
- 12 • (Line 8) The deferred revenues collected from customers related to the existing
13 electric meters and natural gas meter registers that exceeded the actual depreciation
14 expense recorded on the existing investment totals \$2.4 million (\$2.3 million electric
15 and \$0.2 million natural gas). These amounts are regulatory liabilities and reduces
16 the amount of rate base that will need to be collected from customers in the future.
- 17
- 18 • (Line 9) The accumulated deferred federal income taxes associated with the
19 regulatory assets totals \$14.2 million (\$11.0 million electric and \$3.2 million natural
20 gas) and is a reduction to rate base.
- 21

22 **AMI Expenses**

23 Expenses in the Company’s case includes the following as shown in Table No. 6.

24 **Table No. 6 – AMI Expenses: [Revised]**

AMI ANNUAL EXPENSES (REVISED)				
Line #		Electric	Natural Gas	Total
1	Depreciation Expense	\$ 9,558,026	\$ 3,183,624	\$ 12,741,650
2	AFUDC Amortization	42,076	13,320	55,396
3	Regulatory Asset Amortization	4,286,654	1,296,172	5,582,826
4	Total AMI Expenses	<u>\$ 13,886,756</u>	<u>\$ 4,493,116</u>	<u>\$ 18,379,872</u>

- 29 • (Line 1) Annual depreciation expense on the AMI investment totals ~~\$12.713.0~~
30 million (\$9.~~57~~ million electric and \$3.~~32~~ million natural gas).
- 31
- 32 • (Line 2) Annual AFUDC amortization on the AMI investment totals \$0.05 million
33 (\$0.04 million electric and \$0.01 million natural gas).
- 34
- 35 • (Line 3) Annual amortization of the deferred costs on the AMI investment totals \$5.6
36 million (\$4.3 million electric and \$1.3 million natural gas). This amortization
37 represents the annual amount of the net deferrals of \$51.1 million electric and \$15.4
38 million natural gas amortized beginning the rate-effective date of October 1, 2021